European buyout market defies Eurozone fears

- 2011 buyout values finished higher than 2010 with France at the top.
- France, Spain and the Netherlands saw significant increases in buyout values from 2010.
- Total exit value is above total entry value for the second year in a row.
- Exits by secondary buyout outnumbered trade sales for the first time since 2005, although by value, trade sales are close to double the value of SBOs.
- Manufacturing, retail and financial services to remain the strongest sectors in 2012.

LONDON, 18 January 2012: The overall value of all European buyouts totaled €59b in 2011, a 6.5% increase from €55.3 billion in 2010, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Ernst & Young and Equistone Partners Europe (previously Barclays Private Equity).

The data, compiled by CMBOR and covering private equity buy-out activity across 15 European countries, also show that despite the market volatility, France remained strong in keeping the lead throughout the year in European buyouts, totaling €14 billion in 129 deals, compared to €7.9 billion in 118 deals in 2010.

Sachin Date, Europe, Middle East, India and Africa Private Equity Leader at Ernst & Young, comments: “Despite the European debt crisis, the European buyout market in 2011 has demonstrated remarkable resilience with year-end values higher than 2010 and many European countries, particularly France, Spain and the Netherlands seeing significant increases on the previous year.

Outlook
Continues Date: “The strength of many underlying assets could provide opportunities for those willing to participate in the European buyout market and we expect the good quality assets to continue to attract buyers from further afield such as Japan, China and the US. However, whilst the pipeline in the first six months of 2012 is encouraging, a lot will depend on the unfolding European sovereign debt crisis. The key will lie in how innovative dealmakers can be in finding the finance to fund the deals.”

Christian Marriott, Partner at Equistone Partners Europe commented: “Continental Europe continues to challenge the historic dominance of the UK buyout market, with France in particular showing a healthy level of buyout activity. Across Europe private equity investors have been able to see how target companies have traded since the start of the financial crisis, indicating which ones have been truly resilient through challenging macro conditions. Many of these companies should prove attractive to strategic acquirers as private equity firms look to exits in 3-5 years.”

**Highlights:**

**France led the way**

- The French buyout market has continued to perform well, rising from 118 deals in 2010 to 129 in 2011. Germany completed 75 deals (62 in 2010).  
- The German buyout market was rose by 17% in 2011, reaching total value of €6.7 billion, compared to €5.7 billion in 2010. Compared to the size of its economy; this reflects an underperformance in their buyout market.  
- In 2010 UK buy-out value rose sharply to €21.9 billion but the market has fallen to €13.9 billion in 2011. Despite the decline in overall deal value, the UK remained by far the largest country by volume with 180 buy-outs.  
- Sweden took three out of the four largest deals of last year: Bain and Hellman & Friedman’s acquisition of Securitas Direct, Com Hem’s purchase by BC Partners and Dometic’s acquisition by Nordic Capital. The total value was €6.8 billion with 35 completed deals.

**Secondary buy-outs continue to lead market**

- Secondary buy-outs (SBOs) accounted for 6 of the top 10 deals, and often involved auctions. SBOs increased from 129 in 2010 to 162 in 2011 and contributed the bulk of the European buyout value at €28.8 billion (€26.4 billion in 2010).  
- Trade sale appeared to be a more lucrative route as they returned more than €48.4b to investors, almost twice the €26.2 billion returned through SBOs.
Buyouts of family/private companies numbered 194 in 2011, compared with 205 in 2010.

Local parent divestments were at 114 in 2011 (120 in 2010) and recorded €11.8 billion (€8.4 billion).

Mega buy-outs equal 2010 total

The total value of deals over €1.0 billion reached €16.7 billion in 2011, with 12 transactions completed, compared with €19.3 billion and 11 deals in 2010. Whilst positive, the expectation is that “mega-deals” will continue to be slow to return.

Buy-outs in the €100-500 million range fell to 76 completed in 2011, compared with 83 in 2010. While average deal size value has gone up from €94 million last year to €100 million in 2011.

Securitas Direct was the largest buy-out last year with a value of €2.3 billion.

Manufacturing is the largest sector by volume in 2011

175 manufacturing sector transactions were recorded in 2011, accounting for 30% of all European deals by volume. By value, these accounted for 21.7% of all European deals at €12.6 billion. This compares to 24% of deals in 2010 totaling €13.3 billion.

Often seen as a defensive sector, business services raised €11.4 billion (95 deals), while the retail sector mainly increased in Continental Europe, raising €6.7 billion in 2011.

Debt levels rise for larger buy-outs

The average amount of debt in buy-out financing for all buy-outs equal 2010 figures with 31%.

For European deals above €100 million average debt rose from 37% in 2010 to 47% in 2011.

High levels of equity are being used to structure buy-outs. Figures for all buy-outs show 65% of equity employed in 2011 but deals over €100 million are at 49%.

Exits remain strong in 2011

In 2011 exit value is again higher than entry value and has risen to €76b, underscoring the need for PE investors to clear backlog of investments from pre-2008. In 2011 there have been five IPOs, compared to 14 flotations completed in 2010.

The largest exit in 2011 was Nycomed at €9.6 billion with Skype another large trade sale at €4.6 billion.

Trade sales numbered 124 in 2010 with 154 in 2011.

Secondary buy-outs are at 165 in 2011 after recording 115 in 2010.
Failures of buy-outs reached a high of 92 in 2009 from 64 in 2008. In 2011 there were 50 creditor exits.

Note: The 15 countries included in the research are: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

PE-BACKED BUY-OUTS EUROPE - Number and Value

Source: cmbor/Equistone Partners Europe/Ernst & Young

PE-BACKED BUY-OUTS EUROPE - Number and Value by Quarter

Source: cmbor/Equistone Partners Europe/Ernst & Young
PE-BACKED BUY-OUTS EUROPE - Number and Value – Secondary Buy-outs

![Graph showing PE-backed buy-outs number and value from 1990 to 2011. The graph includes a legend for Total Count and Sum Total Value.]

Source: cmbor/Equistone Partners Europe/Ernst & Young

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Notes to editors

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About CMBOR
The Centre for Management Buy-out Research (CMBOR) was founded in 1986 and moved to Imperial College Business School in 2011. CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buy-out market.
CMBOR data covers all buy-out activity and therefore includes transactions funded on a cash or debt-only basis as well as traditional private equity-funded buy-outs. CMBOR is independently sponsored by Equistone Partners Europe and Ernst & Young.

About Equistone Partners Europe
• Equistone Partners Europe is an independent investment firm owned and managed by the former executives of Barclays Private Equity
• Equistone acquired the management company of Barclays Private Equity from Barclays Capital, the investment banking division of Barclays Bank PLC, in November 2011
• The Company is one of Europe’s leading investors in mid-market buyouts with a successful track record spanning over 30 years, with more than 350 transactions completed in this period
• Equistone has a strong focus on change of ownership deals and aims to invest between €25m and €125m of equity in businesses with enterprise values of between €50m and €300m
• The Company has a team of 33 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams
• The three country teams operate with a high degree of autonomy to source and manage investments, leveraging their European franchise but as local participants
• For further information, please visit www.equistonepe.com